GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3252
ANSWERED ON:12.05.2006
RAISING INTEREST RATE
Sippiparai Shri A. Ravichandran

Will the Minister of FINANCE be pleased to state:

(a) whether the business expectations index of Reserve Bank of India (RBI) for April -June, 2006 declined by 4.1 per cent over the previous quarter ended March 31,2006;

(b) if so, the details thereof alongwith the reasons therefor;

(c) whether RBI have any move to raise interest rates as a result thereof; and

(d) if so, the details thereof?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b) : Yes, Sir. Reserve Bank of India (RBI) has reported that the Business Expectation Index for April â€" June 2006 has declined by 4.1 per cent over the previous quarter ended March, 2006. The main reasons for decline is that the optimism level for five parameters viz., Overall Business Situation, Production, Order Books, Capacity Utilization and Profit Margin which were used in index calculation, declined over the previous quarter level.

(c) & (d) : No, Sir. Keeping in view the current macroeconomic and overall monetary conditions, RBI in its Annual Policy Statement for the year 2006 -07 announced on April 18, 2006, considered it desirable to keep the Reverse Repo rate, Repo rate and Bank Rate unchanged at 5.5 per cent, 6.5 per cent and 6 per cent, respectively.